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THE WOOL SITUATION

Summary

There was little activity in the domestic wool market during June, the Bureau of Agricultural Economics reports. Prices of medium wools were slightly higher at country points the latter part of the month but quotations at Boston were largely nominal. Since world supplies of wool are below average for this season of the year and demand conditions in this country and abroad continue rather favorable, little change in wool prices is expected prior to the opening of the new Southern Hemisphere selling season in September. Present prospects indicate that wool production in Southern Hemisphere countries will be larger than that of last year.

Consumption of apparel wool in the United States in the first 5 months of 1937 was almost 20 percent larger than a year earlier and was larger than in the same months of any year since 1923. Unfilled orders held by mills have been sharply reduced in the past 2 months, and some decline in consumption is likely in the last half of the year.

General imports of apparel wool into the United States in the first 5 months of 1937 were larger than in the same period of any year since 1926. The large purchases by the United States were an important factor in the almost complete clearance of the 1936-37 clip in the Southern Hemisphere at prices which were higher than those of the previous season. In view of the present relatively small domestic supplies, United States imports of wool in the first half of 1938 may be fairly large. With prospects for a decline in mill consumption later this year, however, imports are not likely to equal those of the first half of the current year.

Exports from the five most important wool-producing countries of the Southern Hemisphere to May 31 of the 1936-37 season exceeded those in the same period of the preceding season and also the preceding 5-year average by 5 percent and were the largest in the 10-year period 1927-28 to 1935-36. It seems probable that all stocks which accumulated in the Southern Hemisphere during the depression have now been liquidated and that there will be very little carry-over into the coming season.

DOMESTIC SITUATION

BACKGROUND - Wool prices in the United States advanced sharply in the latter part of 1936. The rise in prices was the result of the strong domestic and foreign demand and relatively small supplies of wool in the United States and foreign countries. The advance in prices of domestic wools was checked in the early months of 1937, but quotations remained firm on the relatively small supplies of spot domestic wool at Boston until wools from the 1937 clip began to arrive in quantity. Prices during May were marked down sharply at Boston and some decline was also reported at country points. This decline in the domestic market was accompanied by lower prices in foreign markets.

Wool Sales and Prices

The recent decline in domestic wool prices was halted in June and prices were firm to slightly higher on a few grades after the middle of the month. A strike of wool handlers in the latter part of June practically closed the Boston market to mills as a source of raw wool supplies. Sales in that market were very small and prices were almost entirely nominal.

Changes in domestic wool prices in June were reported chiefly on medium grades of Ohio and similar fleece wools. Country packed medium wools from Ohio and Michigan in lots containing 3/8 and 1/4 blood grades of combing and clothing lengths were quoted at 42 cents, in the grease, delivered to Eastern buyers, the latter part of June compared with 40-41 cents the end of May and 45-46 cents in April.

Trading in territory and Texas wools was very light in June and prices were mostly unchanged. Boston dealers offering wools to arrive in the near future were quoting 95-97 cents scoured basis for good French combing fine territory wools in original bags or for good 12-months' Texas wools the latter part of June. Quotations on spot territory wools at Boston were largely nominal in view of the lack of trading.

Wool Stocks

As a result of large imports, stocks of wool in the United States on June 1 were estimated by the New York Wool Top Exchange Service to be slightly larger than a year earlier but stocks were well below the June 1 average of the preceding 10 years. The season of large imports for 1937 is now finished and changes in stocks during the remainder of this year will depend largely on mill consumption of raw wool.

Mill Consumption

Consumption of wool by United States mills continued relatively high in May. The weekly average consumption of apparel wool for the 4 weeks ended May 29 was 5,716,000 pounds scoured basis compared with 5,796,000 pounds in April and 4,324,000 pounds in May 1936. Consumption in the first 5 months of 1937 was almost 20 percent larger than a year earlier and was larger than in the same months of any year since 1923.

The consumption of apparel wool in the first 5 months of this year was equivalent to 219 million pounds of shorn wool, greasy shorn basis and 37 million pounds of pulled wool, greasy pulled basis. Mill consumption on a grease basis in the same months of 1936 was equivalent to 191 million pounds of shorn wool and 34 million pounds of pulled wool.

Business in the wool goods market for men's wear was slow in May and June and unfilled orders were sharply reduced. The New York Wool Top Exchange Service reports that unfilled orders for men's wear fabrics at the end of June were equivalent to 7 to 8 weeks production at the current rate of machinery activity. Sales of women's wear fabrics were good in June and unfilled orders have increased.

Wool Imports

General imports of apparel wool into the United States in the first 5 months of this year were larger than in the same months of any year since 1926. The large purchases by the United States were an important factor in the excellent clearance of the 1936-37 clip in the Southern Hemisphere at prices which were higher than those of the previous season.

The United States probably will import a considerable quantity of wool in the first half of 1938 but in view of prospects for a decline in mill consumption later this year imports are not likely to equal those of the first half of 1937.

Domestic outlook

The principal developments in the domestic wool situation thus far this year have been the very large mill consumption, below average stocks, and a level of domestic prices higher than for any similar period since 1929. Total returns to producers for the domestic wool clip this year probably will be near the largest on record.

Wool prices in this country are now somewhat higher than in 1929, whereas prices of other textile materials (cotton, rayon, and silk) are lower than in 1929. This price relationship does not favor a continuation of the present high level of mill consumption. In view of the very high level of domestic mill consumption since early 1935, it is possible that in the past year there has been a considerable accumulation of finished wool goods in the several channels of trade. Unfilled orders for wool goods have been reduced considerably in recent months. Hence it does not appear likely that mill consumption of apparel wool in the last half of 1937 will be so large as in the corresponding period of 1936. But despite the prospects for some slackening in domestic mill demand from the current high level, little change in wool prices is probable until the new Southern Hemisphere clip becomes available next fall, since present world supplies of wool are much below average.

FOREIGN SITUATION

Wool Sales and Prices

United Kingdom

The fourth series of London wool auctions for 1937 opened on July 6. Opening prices for good quality merino and crossbred wools, both greasy and scoured showed no change compared with the close of the previous series on May 6, according to a cabled report from the London Office of the Bureau of Agricultural Economics. Prices of inferior quality merino wools were slightly lower than in May and sliped wools were 7-1/2 percent lower. With the exception of the summer sales at Brisbane, these are the only important wool sales to be held until the opening of the new Southern Hemisphere selling season in September.

Prices of tops and yarn at Bradford have declined about 2 cents a pound since the middle of May. Sales at the lower price levels were reported to be relatively small in June.

Southern Hemisphere sales

Sales at Southern Hemisphere centers in May and June were chiefly of a clearing nature. The summer series held at Brisbane Australia which opened on June 16, offered a good selection of new clip wools. Prices of good quality wools at the opening of the series were generally 5 to 10 percent lower than at the close of the last previous sales at Brisbane the end of April. Trading was active during the series and prices remained firm to slightly higher to the end of June.

Outlook for 1937 Wool Clip in the Southern Hemisphere

Interest is now centering in the Southern Hemisphere wool clip which comes on the market in the fall of 1937. The outlook is for another large Australian clip, and for probable increases in New Zealand, and the Union of South Africa. Sheep numbers in New Zealand have been increasing at the rate of 1 million a year since 1935, in the Union of South Africa there was an increase of more than 4 million head between August 1935 and August 1936, whereas in Argentina the number increased more than 1 million head in the same period.

The coming Australian clip - that shorn in the last half of 1937 and marketed during the season beginning July 1, 1937 - is estimated at 1,014,000,000 pounds grease equivalent according to the pre-shearing estimate prepared at the combined meeting of the Australian Councils of growers and selling brokers in mid-June. This is slightly larger than the production last year and about the same as production in 1934. Wool production in Australia has equalled or exceeded 1 billion pounds for the past six seasons, that is, since 1931-32. The average production for the 10 years preceding was only 836 million pounds, according to official estimates.

Wool production in Argentina in 1936-37 is now estimated at 351 million pounds according to official sources, an increase of 5 percent above 1935-36. The average for the five seasons, 1930-31 to 1934-35, from the same source was 359 million pounds. Reliable estimates of production for the 1937-38 season are not yet available for Argentina and Uruguay. Early estimates based on reports of the trade placed production in Argentina in these 2 years considerably higher than the official estimates, namely, 373 million pounds in 1936-37 and 359 million pounds in 1935-36. It is probable that these latter figures include estimates of wool exported on skins.

Wool production in six important Southern Hemisphere countries in 1936-37 is now estimated at 2,038,000,000 pounds, according to latest production estimates, an increase of 1 percent above 1935-36.

Apparent Supplies of Wool in Southern Hemisphere, June 1

Apparent supplies 1/ of wool in the five most important countries of the Southern Hemisphere on June 1 were 22 percent below those at the same date of 1936 and 31 percent below the preceding 5-year average, on that date.

The decrease in supplies was apparent in all countries but was most marked in New Zealand and Argentina. In New Zealand, according to latest estimates, apparent supplies at the beginning of June were the smallest since 1928-29 and in Argentina the smallest in the 10-year period 1927-28 to 1936-37. The bulk of the production in these two countries is medium and coarse wools.

1/ Production plus carry-over minus exports to latest month.

Exports from Southern Hemisphere Countries

Exports from the five most important wool producing countries of the Southern Hemisphere for the season 2/ 1936-37 up to May 31 amounted to 1,736,000,000 pounds and exceeded those of the preceding season by 5 percent and the preceding 5-year average also by 5 percent. Exports thus far this season are the largest for the 10-year period 1927-28 to 1935-36. It seems probable that all the stocks which accumulated during the depression have now been liquidated and that there will be very little, if any, carry-over into the coming season. The largest increases in exports above a year ago were 29 percent in Argentina; 19 percent in the Union of South Africa and 13 percent in Uruguay.

Exports from the Southern Hemisphere to the United States increased sharply in 1936-37. Exports from Argentina and Uruguay to North American destinations principally the United States, amounted to 104 million pounds in the 8-month period from October through May, an increase of 67 percent above the same period of 1935-36. Exports from the British Empire countries of the Southern Hemisphere to the United States for the 10-month period, July through April, reached 107 million pounds and were 147 percent larger than a year ago. United States purchases were made chiefly in Argentina and Australia.

Exports to European countries and Japan from the principal Southern Hemisphere countries for the 10-month period, July 1 - April 30, were considerably smaller than a year earlier. Belgium and Italy were the only important foreign countries taking larger quantities of raw wool through April of the current season than in the same months of the previous season.

Stocks in Importing Countries

The decline in wool shipments to European countries and Japan in the 1936-37 season probably exceeded the decline in consumption in those countries and stocks in importing countries are relatively low. Retained imports of wool in the United Kingdom from November to May were about 63 million pounds smaller than in the same months of the previous importing season. The decline in consumption of imported wools by the British industry in the same period was estimated by Mallett and Company at 28 million pounds.

The increase in imports into Belgium and Italy has been accompanied by greater manufacturing activity and an increase in exports of wool manufactures for those countries.

2/ Export season closes June 30, in Australia, New Zealand and the Union of South Africa, and September 30 in Argentina and Uruguay.

Manufacturing Activity in Importing Countries

A decline in wool manufacturing activity was reported from the principal foreign consuming countries in May. The British Ministry of Labour reports that the percentage of insured workers in the woolen and worsted industry of the United Kingdom registered as unemployed on May 24 was 10.1 compared with 7 percent a month earlier and 9.9 percent a year earlier. The increase in unemployment in May was particularly noticeable in the woolen section but there was also an increase in some divisions of the worsted section. Mill activity also was reduced in France and Belgium during May because of a decline in new orders, according to reports from the Berlin Office of the Bureau of Agricultural Economics.

Manufacturing activity continued to improve in most branches of the Italian wool textile industry in May, largely as a result of good export sales. Conditions in the Italian industry have improved since the abandonment of sanctions and the devaluation of the lira. Italian imports of raw wool in the first quarter of 1937 were more than twice as large as in the same months of 1936, and they were unusually small.

Despite the fact that raw wool imports into Germany continue relatively low, mill activity in the industry remained fairly satisfactory through May. Considerable quantities of reclaimed wool and substitute fibers are being used to meet the raw material requirements of the wool industry. According to the semi-annual report of the German Institute for Business Research the production of worsted spinning and weaving mills declined in 1936 as compared with 1935 as a result of the reduction in raw wool supplies. The spinning and weaving of woolen yarns on the other hand was increased through greater use of reclaimed wool which is suitable for the production of woolen yarns.

Although wool consumption by mills in the United Kingdom has decreased recently, the improved economic conditions and continued expenditures for armaments are likely to keep mill activity in that country at a fairly high level during the second half of 1937, although perhaps not as high as in the past 2 years. The unsettled economic conditions in France make the outlook for wool consumption by the French industry rather uncertain. A continuation of the recent improvement in mill activity in Italy will depend upon the expansion of export trade in wool manufactures. Little increase in German raw wool consumption is likely under present economic conditions.

Table 1.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1935-37

Market and description	Average 1935	Average 1936	May 1936	Apr. 1937	May 1937	June 1937
	Cents	Cents	Cents	Cents	Cents	Cents
Boston:						
Territory combing, scoured basis						
64s, 70s, 80s (fine)	74.8	92.0	88.0	113.0	104.9	102.0
56s (3/8 blood)	63.6	80.4	76.5	95.5	90.0	88.5
46s (Low 1/4 blood)	51.4	63.9	62.5	81.0	71.8	68.5
U. S. farm price (15th. of month)						
Grease basis	19.4	1/26.9	25.8	33.2	32.7	31.4
London 2/:						
Average quality, clean cost 3/						
70s	47.5	58.4	58.0	68.6	69.0	
56s	29.0	35.1	33.1	51.2	51.5	
46s	18.6	23.8	22.3	45.1	44.3	
Bradford 4/:						
Scoured basis -						
64s warp	47.7	59.8	58.1	70.9	71.0	72.0
50s	23.2	29.7	29.0	49.3	48.4	49.4
Southern Hemisphere	End of season - Prices not representative					
United States:						
Textile fibers -						
Wool, territory fine scoured basis	74.8	92.0	88.0	113.0	104.9	
Cotton, 7/8 Middling 5/	11.8	11.9	11.6	13.9	13.1	
Silk, Japanese 13-15 6/	163.3	176.6	160.0	197.5	184.8	
Rayon yarn - 150 denier	57.3	58.6	57.0	63.0	63.0	

Foreign prices have been converted at prevailing rates of exchange.

1/ Preliminary

2/ Average of quotations for each series of London sales as reported by the London Office of the Bureau of Agricultural Economics. For months when no sales were held figures are interpolated.

3/ Top and noil in oil.

4/ Quotations reported about the 25th of the month by the London Office of the Bureau of Agricultural Economics.

5/ Average at 10 markets.

6/ 78 percent white, at New York.

Table 2.- United States: Wool consumption and machinery activity, specified periods, 1936 and 1937

Item	Jan. - May		May	Apr.	May
	1936	1937	1936	1937	1937
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Consumption, scoured basis 1/					
Weekly average -					
Apparel	5,057	6,032	4,324	5,796	5,716
Carpet	1,742	2,787	1,736	2,568	2,588
Aggregate -					
Apparel	111,252	132,708	17,296	28,982	22,862
Carpet	38,334	61,319	6,944	12,842	10,350
	Percent	Percent	Percent	Percent	Percent
Machinery activity 1/ (40-hour shift)					
Worsted combs	113.8	148.6	89.7	151.4	140.7
Worsted spindles	76.5	106.4	71.8	101.7	102.0
Woolen spindles	114.4	133.2	112.3	126.7	128.2
Looms broad 2/	103.8	120.7	96.2	116.4	117.7
Looms narrow	50.2	69.7	41.7	68.1	64.5
Carpet and rug looms	61.7	87.4	59.8	88.4	85.2

Consumption and machinery activity figures from the Bureau of the Census.

1/ Figures for May based on 4 weeks, April on 5 weeks, and January-May on 22 weeks. No adjustment made for holidays.

2/ Over 50 inches.

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